

LEGISLATIVE REPORT

A ROUND-UP OF ECONOMIC, EMPLOYMENT AND BUSINESS LEGISLATION FROM MARYLAND'S 2013 LEGISLATIVE SESSION

EXECUTIVE SUMMARY

Under Governor O'Malley's leadership, the Department of Business and Economic Development (DBED) continued its commitment to fostering job creation and growing Maryland's Innovation Economy with a wide range of legislative and budget priorities in 2013. The Department accomplished its goals this Session by working with its partners in the business community and members of DBED's advisory boards.

EARN Initiative

Workforce development is critical to maintaining Maryland's global lead in innovation, discovery and entrepreneurship. Governor O'Malley joined Senate President Miller and House Speaker Bush to develop EARN, an initiative that will bring together business and government to train workers for skilled jobs in advanced manufacturing and other high-tech sectors.

Specifically, the Maryland Employment Advancement Right Now (EARN) Program creates a partnership between DBED and the Department of Labor, Licensing and Regulation to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. The program:

- Will distribute grants to "Strategic Industry Partnerships" comprised of employers, academic institutions, government entities and other



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organizations to equip our workforce with the skills required in target industries such as construction, traditional and advanced manufacturing, cybersecurity, and health care.

- Requires DBED, DLLR and the Department of Information Technology to develop a uniform and easily accessible Statewide "Train Maryland" website to promote available training programs in the State.
- Is funded at \$4.5 million for Fiscal Year 2014.

Budget and Revenue Highlights

The recently concluded Fiscal Year 2014 budget process was a very successful one for State economic and tourism development programs. Initially, the Department of Legislative Services had proposed \$12.8M in reductions to the Department Allowance of \$137.3M, which was an 11% increase from FY2013 funding levels. Due to very effective lobbying efforts by our partner organizations, we were successful in getting the \$12.8M proposed reduction down to only \$3M. Department programs also received additional funding of \$2.3M for FY 2013 & 2014 from the governor's successful supplemental budget.

Among the major programs and their funding for FY2014 are:

Enterprise Investment and Challenge Fund: \$25.6M
MEDAAF: \$14M
Biotechnology Tax Credit: \$10M
Maryland Tourism Board: \$10.6M
Cyber Tax Credit: \$3M
Small, Minority, Women-Owned Business: \$9.1M
MSBDFA: \$6.3M
Research & Development Tax Credit: \$8M
Film Production Tax Credit: \$25M
State Arts Council: \$16.5M

Administrative Initiatives

CH 3 Maryland Offshore Wind Energy Act of 2013

Provides for an application and review process for proposed qualified offshore wind projects. The legislation also establishes the Maryland Offshore Wind Business Development Fund to provide financial

assistance, business development assistance, and employee training opportunities for the benefit of emerging businesses in the State, including minority owned emerging businesses to prepare and encourage these businesses to participate in the offshore wind industry. *Effective June 1, 2013.*

CH 5 Public-Private Partnerships

Promotes an innovative measure to increase private investment in public infrastructure, and create jobs in Maryland. Defines a Public-Private Partnership as "a method of delivering public infrastructure assets using a long-term, performance based agreement between a reporting agency and a private entity" that share the risks and benefits in a cost-effective manner. This bill establishes a streamlined State policy on Public-Private Partnerships and a methodology for State agencies to enter into these types of agreements. *Effective July 1, 2013.*

HB 1515 Transportation Infrastructure Investment Act of 2013

Provides additional revenue for the Transportation Trust Fund (TTF) to improve Maryland's transportation infrastructure. This will help ensure Maryland has a reliable and modern transportation network and will support business growth. *Effective, June 1, 2013.*

Departmental Accomplishments

SB 70 Business and Economic Development – Enterprise Fund and Invest Maryland Program

Makes technical changes to the Invest Maryland Program. These amendments will ease implementation of the Program and negotiation with private venture funds by better matching the Programs provisions to the typical legal structure of many venture funds and to venture

industry norms. These amendments also serve to simplify and eliminate confusion and uncertainty with reporting requirements. *Effective upon signature.*

CH 28 Income Tax – Business and Economic Development – Film Production Activity Tax Credit

Increases the amount and expands the sunset of the Film Production Activity Tax Credit Program, which was originally approved by the Maryland General Assembly during the 2011 session. Specifically it provides for a total of \$25 million in tax credits for Fiscal Year 2014 and \$7.5 million in Fiscal Years 2015 and 2016. These additional tax credits will help the State retain the productions of House of Cards Season 2 and VEEP Season 3 as well as attract new productions to the State. These productions support local businesses, as well as create and sustain jobs for Marylanders in the film industry. *Effective upon signature.*

HB 803 Income Tax Credit – Business and Economic Development – Cybersecurity Investment Incentive Tax Credit

Provides a refundable tax credit to Qualified Maryland Cybersecurity Companies that seek and secure investment from an in-State or out-of-state investor. The purpose of this new Program is to incentivize and attract cybersecurity companies to start-up in or move to Maryland; and to attract investment to these promising cybersecurity companies in order to help them grow, ultimately create jobs, and retain intellectual property in Maryland. *Effective July 1, 2013.*

CH 109 Maryland Research and Development Tax Credit

Increases the annual cap on the tax credits from a total of \$6 million to \$8 million and allows credits in excess of a small business' State tax liability to be refundable. This tax credit program was approved by the 2000 Maryland General Assembly and encourages companies in high growth industries to stay in Maryland and create jobs by helping Maryland to compete with neighboring states that have competitive tax credit rates. The amount of credits applied for in a given year consistently exceeds the funds available under the statute. This results in proration of credits and a lesser effective rate for businesses, meaning recipients do not recognize the full benefit of the credits. *Effective June 1, 2013.*

OTHER BILLS OF INTEREST

Legislation Altering DBED Practices

SB 261/HB 16 State Government – Administrative Procedures Act – Effective Date of Adopted Regulations

Seeks to lengthen and standardize a time-period for when regulations will become effective. Currently regulations become effective (at the earliest) on the 10th calendar day after notice of adoption is published in the Maryland Register. This bill establishes quarterly regulatory effective dates with some exceptions. *Failed.*

SB 719/HB 956 State and Local Government – Economic Aid – Award to Employers

Requires employers receiving more than \$100,000 in economic aid from the State, county, or municipality to agree to restrictive conditions regarding employee pay, leave, and work hours. The legislation also makes employers legally liable for any violations of these terms. *Failed.*

HB 1231 State Aid – Business Transparency and Financial Disclosure Act

Requires any business receiving a State subsidy over \$50,000 to file a disclosure report containing certain information on job numbers and salaries, and requires the issuing agency to publish the contents of the report on their website in a downloadable format. *Failed.*

CH 150 Economic Development Programs – Data Collection and Tracking (Maryland Jobs Development Act)

Requires the Department to combine reporting data on a number

of its economic development programs, in the aggregate and disaggregate by economic development program and recipients, to facilitate study of the Department's programs to assess effectiveness and identify any necessary changes. The legislation also requires the Department to continue to assist recipients of such programs to meet program requirements. *Effective July 1, 2013.*

Taxation

SB 469/HB 1246 Business Relief and Tax Fairness Act of 2013

Mandates combined reporting for affiliated entities doing business as a "unitary group" in Maryland. Corporations operating together on a unitary business, or 50% owned directly or indirectly by the other members, must report and pay income tax together. This legislation also reduces the filing fee for a variety of business reports from \$300 to \$150. *Failed.*

SB 631 Hotel Rental Tax – Exemption – Lodging at a Corporate Training Center

This bill exempts lodging facilities that are operated exclusively in support of a corporate headquarters, training facility, conference facility, awards facility, or corporate campus from local hotel rental and transient occupancy taxes. These facilities must offer lodging only to employees, contractors, or invitees of the owner of the facility and not to the general public. *Effective June 1, 2013.*

HB 1158 Corporate Income Tax – Main Street Employer Tax Rebate

Requires combined reporting for affiliated corporations in Maryland based on a 3-part formula (property, payroll, and sales). This will require companies that are part of "unified groups" to compute Maryland State income tax as a single unit. The Comptroller is required to distribute estimated revenue as a result of combined reporting to the Small Business Personal Property Tax Rebate Fund. This fund will provide the revenue for grants to small businesses to assist them in paying their personal property taxes. *Failed.*

Business Tax Credits

SB 138/HB 1347 Build Maryland Tax Credit Act

Proposes a new tax credit program to stimulate commercial construction and create jobs by allowing an individual or corporation to claim a tax credit for commercial real estate investment expenses in a priority funding area for five years – up to \$25,000 per year. The bill sets up a reserve fund and mandates the Governor appropriate \$4 million for Fiscal Years 2015 and 2016. *Failed.*

SB 482 Income Tax Credit – Security Clearances – Employer Costs

Expands the Maryland Employer Security Clearance Costs Tax Credit Program enacted during the 2012 Maryland General Assembly. Doubles the amount of tax credits available for security clearance administrative expenses and for costs related to the construction or renovation of a Sensitive Compartmented Information Facility. Allows a small business that performs security based contracting to claim up to \$200,000 in tax credits for expenses incurred for rental payments owed during the first year of a rental agreement for spaces leased in the State. *Effective July 1, 2013.*

SB 615 Economic Development – Job Creation Incentive Tax Credit

Creates a new tax credit to incentivize the creation, attraction, or expansion of private sector enterprises with an emphasis on manufacturing. This bill requires the Governor to appropriate \$10 million in funding for Fiscal Years 2015 and 2016. There is no minimum number of jobs to be created to qualify for the program and the credits can be carried over until they are fully used by the employer. *Failed.*

CH 75/CH 76 Biotechnology Investment Tax Credit – Qualified Maryland Biotechnology Company – Definition

Alters the intent of the Biotechnology Investment Incentive Tax Credit Program to benefit early-stage biotechnology companies. Currently, in order for a company to be eligible to benefit from the Program, the company must be in business no longer than 10-years, and in some instances, 12-years. This legislation allows a company to participate in the Program at any age for up to 10 years from the date the company first receives an investment by a qualified investor. *Effective June 1, 2013.*

SB 164/HB 201 Queen Anne's County – Property Tax Credit – Commercial Investment and Economic Development

Reduces the minimum number of new employees, from 25 to 12, which are required to be employed for a business in Queen Anne's County to qualify for a local property tax credit for commercial investment and economic development. *Effective June 1, 2013.*

HB 1017 Income Tax Credit – Wineries and Vineyards

Supports and provides an economic boost to further grow Maryland's successful wine industry by creating a tax credit for qualified expenditures by winegrowers and producers. This legislation will help Maryland's wine industry compete with Virginia's. The Program will be administered by the Department. *Effective July 1, 2013.*

HB 1206 Strategic Industry Partnership – Income Tax Credit

Complements the EARN Program. This legislation creates a refundable tax credit for investors that invest in "Strategic Industry Partnerships". The tax credit is 75% of the investment and the Department can grant up to \$7.5 million in tax credits each year but a "Strategic Industry Partnership" may not benefit from more than \$400,000 in tax credits in any year. *Failed.*

Tech & Biotech

SB 506/HB 551 Washington County - Technology Related Businesses – Payment in Lieu of Taxes Agreements

Authorizes Washington County to enter into a negotiated payment in lieu of taxes agreement for all or a specified part of the personal property owned by a technology-related business that is located or locates in Washington County. The personal property of a technology-related business is exempt from Washington County personal property taxes for the duration of the agreement. *Effective June 1, 2013.*

SB708/HB 948 Tobacco-Related Disease Products Research, Development, and Commercialization Program

Establishes a Tobacco-Related Disease Products Research, Development, and Commercialization Program to be administered by the Department's Maryland Biotechnology Center in consultation with the Department of Health and Mental Hygiene. This program provides grants of up to \$200,000 for a single company, or \$300,000 for companies collaborating with non-profit medical research institute or a State care facility, to promote the research, development, and commercialization of innovative products and technologies that address tobacco-related diseases. The bill redirects funds from the Cigarette Restitution Fund to this Program. *Failed.*

Small, Minority, and Veteran Owned Businesses

CH 105 Military Personnel and Veteran-Owned Small Business No-Interest Loan Program

Pertains to the Military Personnel and Service-Disabled Veteran's No Interest Loan Program which is administered by the Department in consultation with the Maryland Department of Veterans Affairs. This legislation expands eligibility for participation in the Program to include veteran-owned small businesses. The name of the program has been changed to "Military Personnel and Veteran-Owned Small Business No-

Interest Loan Program" to reflect these changes and the intent of the legislation. *Effective October 1, 2013.*

SB 188/HB 1353 Minority Business Enterprise – Participation and Goals and Subgoals

Extends the termination date of the State's Minority Business Enterprise (MBE) program by one year, until July 1, 2017, and defers the completion date of a new disparity study also by one year, to September 30, 2016. It also requires the Special Secretary of Minority Affairs, in consultation with the Secretary of Transportation and the Attorney General, to establish guidelines for each procurement unit to consider when determining the appropriate MBE participation goals for a procurement contract. It requires each procurement unit to implement a program that will enable it to consider the MBE participation and subgoal guidelines when evaluation each procurement contract. *Effective October 1, 2013.*

SB 498/HB 564 Income Tax – Subtraction Modification and Credit – Creation of a Qualifying Business Enterprise

Provides for a subtraction modification to allow qualified sellers to reduce their State tax liability by 100% for any capital gains as a result of a qualified sale. The legislation also included an investment tax credit of 50% of an initial investment into a qualifying Small Business Enterprise (SBE), Minority Business Enterprise (MBE), Women-Owned Business Enterprise (WBE), or Disabled Veteran-Owned Business Enterprise (DVOB). Additionally, the bill provided incentives for sellers to receive tax-free compensation for continued involvement in the business, after it became an SBE, MBE, WBE, or DVOB. *Failed.*

SB 1066/HB 48 Minority Business Enterprises - Not-For-Profit Entities

Requires the State or State aided or controlled entity to buy supplies and services from "preferred providers" Maryland Correctional Enterprises, Blind Industries and Services of Maryland (BISM), the Employment Works Program, or an individual with disability owned businesses in certain situations. Removes not-for-profit entities that promote the interests of physically and mentally disabled individuals from the definition of MBE and exempts specified contracts with these non profits from the calculation of MBE participation rates. *Effective July 1, 2013.*

Procurement

SB 47/HB 191 Procurement – Maryland Buy American Steel and Manufactured Goods Act

Requires a public body to require contractors and subcontractors to use or supply American manufactured goods when constructing or maintaining public works and buying or manufacturing machinery or equipment for a public work site. The bill provides exceptions for unreasonably priced, unavailable, and lower quality American manufactured goods as well as for goods that would be inconsistent with the public interest. This bill also does not apply to "emergency life safety" and "property safety" goods. *Effective October 1, 2013.*

SB 599/HB 585 Procurement – Subcontractor Equal Access to Bonding Act of 2013

Prevents prime contractors on certain procurement contracts from requiring more stringent bonding requirements from subcontractors than those required of the prime. The bill also allows subcontractors to utilize individual surety, or pledging of an individual's assets, when bonding is unavailable from traditional underwriters. Individual sureties may be underwritten by an authorized surety company or the Maryland Small Business Development Financing Authority (MSBDF). This legislation will provide subcontractors with easier access to State procurement contracts and a way to grow their businesses. *Effective July 1, 2013.*

Tourism and Culture

SB 32/HB 4 Alcoholic Beverages – Brewery License – On-Premise Consumption

Allows holders of Class 5 manufacturer's license for beer and malt beverages to sell up to 500 barrels of beer each year for on premises consumption with a local on-site consumption permit issued by the local licensing boards. Local licensing boards are required to create this permit and require applicants obtain them in order to sell beer brewed on premises for on-site consumption. Local boards are also authorized to charge a fee for these licenses and require the licensee to comply with the Alcohol Awareness Training Requirements. *Effective July 1, 2013.*

SB 702/HB 1337 Maryland Public Art Initiative Program – Revisions

Requires the State to include public art in all State funded construction and major renovation projects. During the initial design of each project, the identification and selection of public art to be included shall be determined by representatives of the units of State government that will be the primary user of the building and responsible for project management; and the Division of Tourism Film, and the Arts under the Department in coordination with the Maryland Commission on Public Art. The legislation also requires the Department of Budget and Management and the Department of General Services to establish a process to allow a unit of State government to obtain a waiver from complying with the Program. All artwork funded by the Program is the property of the Commission and the Commission will be responsible for the inventory, maintenance, and preservation of all artwork acquired through the Program. *Effective October 1, 2013.*

HB 203 Economic Development – Arts, Business, and Cultural District – Pennsylvania Avenue Corridor in Baltimore City

Requires the Secretary of the Department of Business and Economic Development to create an Arts and Entertainment District in the Pennsylvania Avenue Corridor of Baltimore City to redevelop and revitalize the area. *Failed.*

HB 1247 State Government – Frederick Douglass and Harriet Tubman Memorial Statues – Placement and Commission

Provides for the placement of a Frederick Douglass and Harriet Tubman memorial statue to be placed on either side of the Roger Brooke Taney statue on the State House grounds. The bill also designates the Commission on Artistic Property to primarily develop and implement a process to create the statues and determine an appropriate funding source to support a capital budget appropriation. *Failed.*

Task Force Bills

SB 356/HB 698 Ex-Offender Business Development Program Study

Requires the Department, the Department of Labor, Licensing, and Regulation, and the Department of Public Safety and Correctional Services to conduct a joint study on the feasibility of establishing a program to provide business training to ex-offenders. Specifically, the study should identify non-governmental funding sources for this initiative.

This bill provides for the submission of the study to the Maryland General Assembly by October 1, 2014. *Effective October 1, 2013.*

SB 963 Task Force to Study a Post-Labor Day Start Date for Maryland Public Schools

Creates a task force to study the impact of moving the start date for the public school system to after Labor Day on the education system, the economy, and summer tourism. The task force will report its findings and recommendations to the Governor and Maryland General Assembly by June 30, 2014. *Effective July 1, 2013.*

SB 965/HB 1170 Maryland Smart Growth Investment Fund Workgroup

Establishes a workgroup to study and make recommendations on the creation of the Maryland Smart Growth Investment Fund to promote smart growth, revitalization, and development in sustainable communities and transit-oriented developments. The workgroup will review similar national and international funds, design a management and governance model, examine potential funding sources, design an investment and management model, identify criteria for how to invest the fund's moneys, and identify instruments for investment, including "sidecar" funds financed at the county level. A report on the workgroup's findings must be submitted to the Governor and Maryland General Assembly on or before December 31, 2013. *Effective June 1, 2013.*

SB 1067 Commission on the Commemoration of the 100th Anniversary of the Passage of the 19th Amendment to the United States Constitution

Creates a Commission on the Commemoration of the 100th anniversary of the passage of the 19th amendment to the United States Constitution. The Commission will essentially develop a plan for the commemoration and a strategy to encourage tourism related to the commemoration. The Commission must report its findings to the Governor and General Assembly by December 31, 2014. *Effective July 1, 2013.*

HB 1302 Commission on Tax Policy, Reform, and Fairness

Establishes a commission on tax policy, reform, and fairness to study the State's current revenue structure, review academic and economic research on State and local tax policy, review the revenue structure of neighboring States, and make recommendations to reform the State's revenue structure to promote job growth and economic development, ensure fairness and simplicity, provide a stable revenue stream for the State, and create a business-friendly environment. *Failed.*

HB 1326 Task Force to Improve the Business Climate in Maryland

Creates a task force to review and examine State laws and policies affecting sustainability and growth of businesses in the State, identify laws and policies that should be changed to foster a more competitive business environment and remove unnecessary administrative burdens, and make recommendations on laws and policy to better serve the business community and the public. *Failed.*

For more information please contact the Department's Office of Policy and Government Affairs at 410-767-6312.

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